

Message Text

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43

ACTION EB-11

INFO OCT-01 AF-10 ARA-16 EUR-25 NEA-10 ISO-00 AID-20

NSC-10 RSC-01 CIEP-02 TRSE-00 SS-15 STR-08 OMB-01

CEA-02 CIAE-00 COME-00 FRB-02 INR-10 NSAE-00 XMB-07

OPIC-12 LAB-06 SIL-01 L-03 H-03 PA-03 PRS-01 USIA-15

INT-08 SCEM-02 IO-13 DRC-01 /219 W

----- 050977

R 101254Z SEP 73

FM AMEMBASSY KUWAIT

TO SECSTATE WASHDC 7626

INFO AMEMBASSY ABU DHABI

AMEMBASSY BEIRUT

AMEMBASSY CARACAS

AMCONSUL DHAHRAN

AMEMBASSY JIDDA

AMEMBASSY LAGOS

AMEMBASSY LONDON

AMEMBASSY TEHRAN

AMEMBASSY TRIPOLI

AMEMBASSY VIENNA

USMISSION OECD PARIS

C O N F I D E N T I A L KUWAIT 3280

BEIRUT PASS BAGHDAD

E.O. 11652: GDS

TAGS: ENRG EFIN KU

SUBJ: OPEC MINISTERIAL AND KUWAIT OIL ISSUES

SUMMARY: SENIOR GOK PETROLEUM OFFICIAL INDICATED GENERAL AGREE-
MENT HAS BEEN REACHED AMONG GULF PRODUCERS REGARDING NEED FOR AN
GENERAL LEVEL POSTED PRICE INCREASE TO TAKE ACCOUNT OF INFLATION
AND THAT LIKELY OPEC EXPERTS GROUP WILL MEET WITH COMPANY REPS
FOLLOWING SEPT 15 OPEC MINISTERIAL MEETING FOR INITIAL DIS-
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CUSSIONS. OFFICIAL CLAIMED GOK SEEKING GENERAL STABILITY BASED

ON PRICE REFLECTING TRUE VALUE OF PETROLEUM AND THAT AIM OF GOK WAS TO DEPOLITICIZE OIL. REGARDING KUWAIT PARTICIPATION RE-NEGOTIATION OFFICIAL SAID PARLIAMENTARY RATIFICATION BY END OF YEAR WAS HOPED FOR BY GOK. END SUMMARY

1. EMBOFF HAD OPPORTUNITY DISCUSS SEPT 15 OPEC MINISTERIAL MEETING WITH SENIOR GOK MINISTRY FINANCE AND OIL OFFICIAL DURING CALL ON OTHER MATTER SEPT 8. OFFICIAL RECENTLY PARTICIPATED IN MEETING IN KUWAIT OF GULF PRODUCERS INCLUDING IRAN. HE SAID "ALMOST UNANIMOUS" AGREEMENT WAS REACHED AT THAT MEETING REGARDING NEW POSTED PRICE PROPOSALS TO BE AIRED AT VIENNA OPEC MEETING. HE CLAIMED BELIEF AMONG GULF PRODUCING COUNTRIES THAT NEW PRICES WERE NEEDED PRECEDED RECENT LIBYAN PRICE INCREASES, BUT HE ADMITTED THAT MAGNITUDE OF INCREASE THAT WILL BE SOUGHT IS FUNCTION OF RECENT DEVELOPMENTS IN LIBYA.

2. GOK OFFICIAL SAID GULF PRODUCERS HAVE FELT FOR SOME TIME THAT GULF CRUDES UNDERVALUED AND THAT GOK, AT LEAST, WANTS PRICE THAT REFLECTS TRUE VALUE OF CRUDE OIL. IN ADDITION GOK WOULD LIKE TO SEE ADJUSTMENT PROCESS WORKED OUT THAT WOULD BE MORE OR LESS AUTOMATIC SO THAT FUTURE CRISES CAN BE AVOIDED AND PETROLEUM CAN BE DEPOLITICISED. HE ADMITTED THAT INITIAL PRICE RISE MAY BE STEEP BUT HE FORESAW MORE STABLE CONDITIONS THAT COMPANIES AND CONSUMERS WOULD WELCOME. IN ANSWER TO QUERY WHETHER TEHRAN AGREEMENT WOULD HAVE TO BE RENEGOTIATED, HE REPLIED "THAT DEPENDS". HE SAID HE EXPECTS TAKE PART WITH OTHER OPEC COUNTRIES' EXPERTS IN MEETING WITH COMPANY REPS IMMEDIATELY FOLLOWING SEPT 15 MEETING.

3. EMBOFF ASKED WHETHER TRUE SOME OIL PRODUCING COUNTRIES WANTED PAYMENT IN CURRENCY OTHER THAN DOLLARS. GOK OFFICIAL NOTED THAT LIKE IRAQ SOME MAY WANT PAYMENT IN CRUDE OIL BUT GOK WANTS DOLLARS ONLY. REGARDING MINISTER ATIQI'S SUGGESTIONS THAT ARAB DINAR BE CREATED, SOURCE STATED HE THOUGHT ARAB DINAR NOT FEASIBLE BECAUSE OF ASSYMETRY ARAB ECONOMIES BUT ARAB GULF DINAR POSSIBLE. IN ANY CASE HE INDICATED CREATION INTER-ARAB CURRENCY NOT LIKELY IN NEAR FUTURE.

4. GOK OFFICIAL DID NOT DISCUSS DETAILS KUWAIT PARTICIPATION NEGOTIATIONS BUT HE SAID IT UNLIKELY NEW DRAFT AGREEMENT WOULD CONFIDENTIAL

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BE READY SUBMIT TO NATIONAL ASSEMBLY FOR RATIFICATION WHEN IT RESUMES IN FALL. NEVERTHELESS, GOK CAUTIOUSLY OPTIMISTIC IT CAN AVOID PROBLEMS OF LAST SESSION AND THAT PACT WILL BE RATIFIED BY END OF YEAR.

5. COMMENT: THROUGHOUT RELATIVELY LONG DISCUSSION, OFFICIAL DESCRIBED GOK POLICIES IN SUCH A WAY AS TO INDICATE THEY BASED ALMOST EXCLUSIVELY ON CONSIDERATIONS KUWAITI ECONOMIC SELF-

INTEREST. THOUGH HE EXPRESSED AGREEMENT WITH RECENT SAG STATEMENTS REGARDING PROBLEMS FOR ARABS ASSOCIATED WITH INCREASING PRODUCTION IN LIGHT US POLICIES, HE INDICATED GOK PREFERENCE MAINTAIN PRESENT PRODUCTION AND INVEST SIGNIFICANT AMOUNTS SURPLUS CAPITAL IN US, PARTICULARLY IN DOWNSTREAM PROJECTS. HE SAID GOK SEEKING ECONOMIC SOLUTIONS TO PROBLEMS SUCH AS PRICES AND INFLATION AND HE DISMISSED TALK OF ARAB BLACKMAIL OR USE OF OIL AS WEAPON. HE DID, HOWEVER, NOTE MUTUALITY OF INTERESTS AMONG PRODUCERS AND CONSUMERS AND NEED FOR LATTER, PARTICULARLY US, TO RECOGNIZE THAT RAPID ACCUMULATION OF DOLLARS RESULTING FROM HIGH LEVELS OIL PRODUCTION WITH ATTENDANT EXCHANGE RISKS WAS BOTHERSOME PROBLEM TO STATES SUCH AS KUWAIT. THEREFORE, IF OIL PRODUCING STATES EXPECTED CONTINUE MAINTAIN HIGH LEVELS PRODUCTION, CONSUMING STATES MUST BE PREPARED HELP EASE PROBLEMS AND RISKS WHICH RESULTED FROM THIS ACTIVITY.

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